



Robert C. Masterson, Jr.

Guest Editorial

BY ROBERT C. MASTERSON, JR., *president, Harbour International Inc.*

CAN GLOBAL LOGISTICS GO LEAN?

Lean is a means of identifying and removing waste from a value stream, resulting in improved flow.

Lean concepts have been applied to manufacturing and other business enterprises since the early nineties. Lean is responsible for eliminating millions of dollars of cost and improving cycle time, order to cash, communication, productivity, and customer satisfaction in thousands of companies. The question is, while Lean works in manufacturing, medical, software and other industries, can it also be applied to Global Logistics?

While a manufacturing value stream involves a specific production cell, or cells spread across a plant, a global logistics value stream involves many parties and processes, spread across the globe. Can Lean be applied to a complex process? A process that begins, for example, with a purchase order in Thailand. It then continues with an order entry, customer service, manufacturing, shipping, transfers of communication and paperwork between truck, rail, customs, freight forwarder and ocean carrier before being exported. And, includes customs entry, a freight agent and truck service in Thailand?

Many of the concepts employed by Lean originated with the beginning of continuous improvement. Continuous improvement began with Ford's production system, and then gained significant depth from Taiichi Ohno's Toyota production system and Dr. W. Edwards Deming's teachings. Continuous improvement embodies such methods as total quality, just-in-time, Six Sigma and many others. If you study the Lean Tool Box, you'll recognize concepts that span the history of continuous improvement all of which can be applied to Global Logistics.

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|--------------------------|---------------------------------|-------------------------|
| ■ Continuous Improvement | ■ Push vs. Pull | ■ Time Observation |
| ■ Process Management | ■ Time Observation | ■ Push vs. Pull |
| ■ Value Stream Mapping | ■ Value Stream | ■ Spaghetti Diagram |
| ■ Standard Work | ■ Future | ■ Flow Diagram |
| ■ Statistics | ■ Visual Management | ■ Visual Management |
| ■ Communication | ■ Transactional Waste | ■ Employee Involvement |
| ■ SPC | ■ Set-Up Time | ■ Theory of Constraints |
| ■ TAKT Time | ■ Total Production | ■ Kanban |
| ■ 5S | ■ Maintenance | ■ Leveling |
| ■ Value Added | ■ Non-Value Added but Necessary | ■ Waste |
| ■ Non-Value Added | | |

While still a work in progress, the following case study illustrates what can be accomplished by employing Lean tools to identify and eliminate waste from a complex global logistics process.

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CASE STUDY:

United States manufacturer engaged in ocean export; \$14 billion annual sales; manufactures in 42 countries; exports to 148 countries.

Having completed Discovery, "Current" and "Future" State Value Stream maps, they learned their export process contained nineteen steps, four of which added value to the process, and fifteen which did not. Once the "gap" between the current and future state is closed, they will have eliminated the following waste:

- \$324,000 of courier expense
- 7,250 customer service hours
- 7,500 hours of telephone calls, e-mails, and documents
- \$739,000 of intransit inventory cost

The following improvements will have been made:

- Improved order to cash by seventeen days
- Made shipments, transit information, and shipment documents available online
- Added twelve compliance checks,
- Instituted twenty statistical measurements by which their logistics process would be managed going forward.

Can Global Logistics GO LEAN? Take a moment to reflect that in today's business environment, capital and labor have changed from regional to global arenas. Manufacturing and service sector businesses can be easily shifted from one facility and country to another. The only way to maintain your business and keep your customers satisfied is to assure your product and services are more efficient, less expensive and of higher quality than your competition.

Think more about LEAN. It's a strategy for survival.

Robert C. Masterson, Jr. is president of Harbour International Inc., a global freight forwarder based in Batavia, Illinois. Harbour differentiates itself by applying Continuous Improvement tools to Global Logistics. Masterson has studied Continuous Improvement in Global Logistics for 12 years.



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